



State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

May 31, 2006

Frank Ginton
Black Sands Holding Company
2939 Tamarac Street
Denver, Colorado 80231

Subject: Notice to Commence Small Mining Operations and Approval of Reclamation Surety, Black Sands Holding Company, Black Sands 47278 Mine, Task #1412, M0470085, Uintah County, Utah

Dear Mr. Ginton:

The Division finds your notice of intention (Notice) complete and approves the reclamation surety for the Black Sands 47278 Mine. You are now permitted to conduct mining operations on the one acre site mapped in the Notice.

Prior to beginning mining operations other than drilling, the Notice must be amended and evaluated by the Division prior to implementation. If a small mine is developed the notice should be amended to include:

- A map (scale of 1"= 200') showing the locations of overburden and topsoil stockpiles and any other surface facilities;
- The map must clearly label and show the disturbed area boundary; and
- A brief description of planned mining.

The amendment must be accompanied by form Instructions to Revise or Amend Mining Operations (MR-REV-att).

This mine site and the site for Black Sands 47288 (M0470086) are within about a mile of each other. Since the current Notices are for core drilling, the Division will allow these two operations to proceed. They are close enough, however, that when actual mining begins, they will be considered a single large mine rather than two small mines. Assuming these projects are successful and that Black Sands actually begins mining operations at these two sites, you will need to submit a single Notice of Intention to Commence Large Mining Operations (LMO). ***Within 60 days of beginning mining operations at these sites, Black Sands must submit an LMO application.*** The LMO application requires site specific resource information. The Division suggests you begin acquiring this data soon.

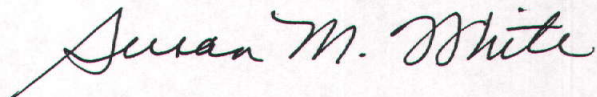
Before beginning operations, please ensure appropriate approvals have been received from other agencies, such as the School and Institutional Trust Lands Administration and the Division of Water Quality.

Please keep in mind the following regulatory requirements.

- Stockpiling topsoil material prior to beginning activities will help ensure successful revegetation. Even the first few inches of undeveloped material is worth saving to aid in later revegetation efforts, and future regulatory surety release.
- If you encounter any archaeological or historical items, you are asked to notify this office of your find. The notice was reviewed by the State Historic Preservation Officer who said there is a possibility the area could contain sites eligible for listing in the National Register of Historic Places. He suggested a cultural resources survey be completed to make this determination.
- Permit fees are due July 30
- Annual reports are due by December 31st.

The Division's web page at <http://ogm.utah.gov> under the Mining Program has a link to the rules you are expected to operate under and other information to assist you in complying with program requirements. In reply, please refer to file number M0470081. If you have questions or concerns regarding this letter, please contact me at (801) 538-5258 or Paul Baker at 538-5261. Best wishes with your mining venture.

Sincerely,



Susan M. White
Mine Program Coordinator
Minerals Regulatory Program